

House File 2092 - Introduced

HOUSE FILE 2092

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 535)

A BILL FOR

1 An Act temporarily updating the Code references to the Internal
2 Revenue Code and decoupling from certain federal bonus
3 depreciation provisions, and including effective date and
4 retroactive applicability provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. INTERNAL REVENUE CODE REFERENCES FOR
2 2015. Notwithstanding the definition of "Internal Revenue
3 Code" in section 15.335, subsection 7, section 422.3,
4 subsection 5, section 422.10, subsection 3, section 422.32,
5 subsection 1, and section 422.33, subsection 5, Code 2016,
6 the following shall apply for the period beginning January 1,
7 2015, and ending December 31, 2015, and for tax years beginning
8 during the 2015 calendar year:

9 1. The definition of "Internal Revenue Code" for purposes
10 of section 15.335, subsection 7, section 422.10, subsection 3,
11 and section 422.33, subsection 5, Code 2016, and for purposes
12 of references in the 2016 Iowa Code and 2016 Iowa Acts to the
13 definition of "Internal Revenue Code" in those sections, shall
14 mean the Internal Revenue Code in effect on January 1, 2016.

15 2. The definition of "Internal Revenue Code" for purposes
16 of sections 422.3 and 422.32, Code 2016, and for purposes of
17 references in the 2016 Iowa Code and 2016 Iowa Acts to the
18 definition of "Internal Revenue Code" in those sections, shall
19 mean the Internal Revenue Code of 1954, prior to the date of
20 its redesignation as the Internal Revenue Code of 1986 by the
21 Tax Reform Act of 1986, or means the Internal Revenue Code of
22 1986 as amended to and including January 1, 2016.

23 Sec. 2. DEDUCTION FOR STATE SALES AND USE TAX FOR
24 2015. Notwithstanding section 422.9, subsection 2, paragraph
25 "i", Code 2016, the deduction for state sales and use taxes is
26 allowable under section 422.9 for tax years beginning during
27 the 2015 calendar year, but only if the taxpayer elected to
28 deduct the state sales and use taxes in lieu of state income
29 taxes under section 164 of the Internal Revenue Code. The
30 deduction for state sales and use taxes is not allowed if the
31 taxpayer has taken the deduction for state income taxes or
32 claimed the standard deduction under section 63 of the Internal
33 Revenue Code.

34 Sec. 3. BONUS DEPRECIATION FOR 2015. Notwithstanding
35 section 1 of this Act, or any other provision of law to the

1 contrary, the additional first-year depreciation allowance
 2 authorized in section 168(k) of the Internal Revenue Code,
 3 as enacted by Pub. L. No. 114-113, §143, does not apply in
 4 computing net income for state tax purposes for tax years
 5 ending on or after January 1, 2015, but before January 1,
 6 2016. If the taxpayer has taken the additional first-year
 7 depreciation allowance for purposes of computing federal
 8 adjusted gross income or federal taxable income, as the case
 9 may be, then the taxpayer, when computing net income for
 10 purposes of the individual income tax under section 422.7 or
 11 the corporation income tax or franchise tax under section
 12 422.35, shall make the adjustments described in section 422.7,
 13 subsection 39A, paragraphs "a" through "c", Code 2016, or
 14 described in section 422.35, subsection 19A, paragraphs "a"
 15 through "c", Code 2016, as applicable.

16 Sec. 4. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
 17 immediate importance, takes effect upon enactment.

18 Sec. 5. RETROACTIVE APPLICABILITY. This Act applies
 19 retroactively to January 1, 2015.

20 EXPLANATION

21 The inclusion of this explanation does not constitute agreement with
 22 the explanation's substance by the members of the general assembly.

23 This bill updates for 2015 the Iowa Code references to the
 24 Internal Revenue Code to make federal income tax revisions
 25 enacted by Congress in 2015 applicable for a certain period of
 26 time, to allow the deduction for state sales and use tax, and
 27 to decouple with certain bonus depreciation provisions.

28 INTERNAL REVENUE CODE REFERENCES. The bill provides that
 29 notwithstanding several Code provisions as specified in the
 30 bill, the definitions of "Internal Revenue Code" in those Code
 31 provisions and, by internal reference, in other sections of the
 32 Iowa Code and Iowa Acts shall mean the Internal Revenue Code
 33 in effect on, or as amended to and including, January 1, 2016.
 34 This definition change applies only to the period beginning
 35 January 1, 2015, and ending December 31, 2015, and for tax

1 years beginning during the 2015 calendar year.

2 The affected Code provisions include Code sections 422.3
3 and 422.32, general definition sections in the chapter of the
4 Code that governs corporate and individual income tax and the
5 franchise tax, and Code sections 15.335, 422.10, and 422.33,
6 which contain references to the Internal Revenue Code for the
7 state research activities credit for individuals, corporations,
8 and corporations in economic development areas.

9 Code section 422.9 provides individuals a deduction from
10 net income for state sales and use taxes if the individual
11 chose to deduct sales and use tax in lieu of state income taxes
12 or the standard deduction for federal income tax purposes.
13 This deduction was set to expire under both federal and Iowa
14 law for tax years beginning on or after January 1, 2015. The
15 federal Protecting Americans from Tax Hikes Act of 2015 made
16 the federal deduction permanent. The bill allows the Iowa
17 deduction for tax years beginning during the 2015 calendar
18 year.

19 BONUS DEPRECIATION. The bill decouples, for Iowa income tax
20 purposes for tax years ending on or after January 1, 2015, but
21 before January 1, 2016, from the federal additional first-year
22 depreciation allowance in section 168(k) of the Internal
23 Revenue Code (bonus depreciation) which was modified and
24 extended through 2019 by the federal Protecting Americans from
25 Tax Hikes Act of 2015. Taxpayers who claim bonus depreciation
26 for federal tax purposes are, for the applicable tax year,
27 required to add such depreciation amounts back to Iowa net
28 income, but are then allowed under existing state law to deduct
29 the amount of depreciation that would otherwise be allowable
30 under federal law, without regard to the bonus depreciation
31 allowance.

32 The bill takes effect upon enactment and applies
33 retroactively to January 1, 2015.